C-7
6/22/95

STATE OF NEW JERSEY
CASINO CONTROL COMMISSION

REDACTED

REPORT ON
TRUMP PLAZA ASSOCIATES'
APPLICATION FOR RENEWAL
OF ITS CASINO LICENSE

REDACTED

DIVISION OF
FINANCIAL EVALUATION
JUNE 13, 1995

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State of New Jersey
CASINO CONTROL COMMISSION
TENNESSEE AVENUE AND BOARDWALK
ATLANTIC CITY NJ 08401

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State of New Jersey
Casino Control Commission

INTRODUCTION

Trump Plaza Associates ("Plaza") has applied to the Casino Control Commission ("Commission") for renewal of its plenary casino license for a four-year period. In order to have its license renewed, Plaza must meet, among other things, the requirements of Section 84(a) of the Casino Control Act ("Act") by presenting clear and convincing evidence of its financial stability and responsibility.

As illustrated in Appendix I, through a series of transactions finalized on June 12, 1995, Plaza became beneficially-owned by Trump Hotels & Casino Resorts, Inc. ("Trump Resorts"). Trump Resorts was created to provide funds to expand Plaza's operations in Atlantic City, as well as to pursue gaming opportunities in emerging jurisdictions. Trump Resorts is a publicly-traded entity owned 60.0% by stockholders and 40.0% by Donald J. Trump.

Pursuant to Section 85(d) of the Act, any holding company of an applicant for a casino license must also qualify under the standards of Section 84(a). Accordingly, Trump Resorts must meet the standards of Section 84(a) of the Act. Since Mr. Trump maintains a 40.0% interest in Trump Resorts, he must meet the financial stability requirements of Section 89 of the Act.

Through an initial public offering of common stock ("Common Stock") consummated on June 12, 1995, the sale of a 60.0% ownership interest in Trump Resorts yielded gross proceeds of approximately $140.0 million. Concurrent with the Common Stock offering, an affiliate of Trump Resorts issued $155.0 million principal amount of senior secured notes ("Trump Resorts Notes").[1] Since the issuance of the Common Stock and Trump Resorts Notes (together, "Offerings") will have a material impact on the corporate structure and operations of Plaza, the Commission requested a full financial review of Plaza and Trump Resorts from the Financial Evaluation Unit in conjunction with Plaza's license renewal hearing scheduled to commence on June 22, 1995. With respect to Mr. Trump, a full review of his financial stability is contained in reports filed by the Division of Gaming Enforcement ("Division") on March 1, 1995 and June 12, 1995.

This report summarizes the financial impact of the Offerings and analyzes the financial stability of Plaza and Trump Resorts through the upcoming licensure period, with particular emphasis on Plaza's ability to remain in compliance with the financial stability regulations contained in <u>N.J.A.C.</u> 19:43-4.2(b)1-5. This report is based on information contained in the second amended pre-effective Form S-1 filed with the Securities and

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1 On June 5, 1995, Plaza and Trump Resorts obtained the necessary Commission rulings to consummate the issuance of the Common Stock and Trump Resorts Notes.

Exchange Commission ("S-1") regarding the Offerings dated June 1, 1995, as well as forecasted financial information provided by Trump management. We have updated all financial information contained in this report to reflect the actual transactions that occurred on June 12, 1995.

SUMMARY OF THE OFFERINGS

Sources and Uses of Cash

The sources and forecasted uses of cash from the Offerings consummated on June 12, 1995 are illustrated below.

TRUMP HOTELS & CASINO RESORTS, INC.
SOURCES AND USES OF CASH RELATED TO THE OFFERINGS
($ in Millions)

Table I

	Sources
Trump Resorts Notes Proceeds	$155.0
Common Stock Proceeds	140.0
Total Sources of Cash	$295.0
	Uses
Plaza Expansion Dedicated Funds	$122.7
Redemption of Payment-in-Kind Notes ("PIK Notes")	96.1
Gary Riverboat Dedicated Funds	34.0
1-Year Interest Reserve for Trump Resorts Notes	24.2
Transaction Costs	22.5
Available Cash for Trump Resorts	2.5
Loan to Mr. Trump	3.0
Total Uses of Cash	$295.0

With the proceeds from the Offerings, Trump Resorts intends to, among other things, expand Plaza's operations in Atlantic City, enter the riverboat gaming industry in Gary, Indiana ("Gary Project"), redeem existing indebtedness related to Plaza, and maintain a one-year interest reserve for the Trump Resorts Notes. A brief description of each projected use of cash is contained herein.

. Plaza Expansion Plans

In conjunction with the Offerings, $122.7 million in proceeds will be placed in a dedicated account by Trump Resorts and downstreamed to Plaza via capital contributions to fund construction costs related to the refurbishment and integration of the former Holiday Inn ("East Tower") and the acquisition and refurbishment of the Trump Regency ("West Tower"). The $122.7 million in dedicated funds is comprised of $107.6 million earmarked for the West Tower and $15.1 million earmarked for the East Tower.

Since September 1994, Plaza has been renovating and integrating the East Tower located adjacent to its facility. When completed, the East Tower will provide 15,000 square feet of gaming space containing 400 slot machines and 13 table games, as well as 349 hotel rooms. It is currently anticipated that an initial 150 hotel rooms will be available to the public in October 1995, with approximately 50 additional rooms opening each month thereafter through the first quarter of 1996. The 15,000 square feet of gaming space is expected to open in February 1996.

With respect to the West Tower, Plaza utilized $58.2 million in dedicated funds to purchase the West Tower pursuant to an option agreement on June 12, 1995. Plaza currently intends to operate the West Tower as a 500-room non-casino hotel until late

September 1995. Subsequently, the West Tower will be refurbished and is expected to be reopened with 40,000 square feet of gaming space in March 1996. Since management believes that the most profitable use of the West Tower is as an "integrated facility" with Plaza, the West Tower will be connected to Plaza through the "Loggia" in the Atlantic City Convention Center.

Ultimately, the completion of the East Tower and West Tower projects is expected to increase casino floor space from 73,000 square feet currently maintained by Plaza to 133,000 square feet maintained by Plaza, the East Tower, and the West Tower. In addition, the room base is expected to increase from 555 rooms to 1,404 rooms. The location of the casino floor space, table games, slot machines, and hotel rooms is summarized below.

TRUMP PLAZA ASSOCIATES
COMBINED CASINO AND ROOM STATISTICS

Table II

	Trump Plaza 4/30/95	Forecasted at March 31, 1996			
		Plaza	East Tower	West Tower	Total
Casino Square Footage	73,000	78,000	15,000	40,000	133,000
Slot Machines	2,325	2,400	400	1,500	4,300
Table Games	96	113	13	30	156
Hotel Rooms	555	555	349	500	1,404

In the aggregate, management estimates that it will cost approximately $143.0 million to complete the East Tower and West Tower projects, of which, approximately $10.0 million is expected to be satisfied through leases of slot machines, leaving approximately $133.0 million in expenditures to be funded. Under the terms of the Offerings, Plaza is required to utilize all available cash flows to fund East Tower and West Tower expenditures prior to obtaining funds from Trump Resorts. Therefore, despite having access to $122.7 million in dedicated funds, Plaza only forecasts needing $102.4 million from Trump Resorts to complete these projects by March 31, 1996. Thus, Plaza expects to utilize approximately $31.0 million of internally generated funds to complete the East Tower and West Tower projects. Upon completion of the projects, any remaining funds in the dedicated account ($10.3 million based on Plaza's forecasts) will be available to Trump Resorts for working capital purposes.

. Gary, Indiana Riverboat Gaming Project

Trump Indiana, Inc., a subsidiary of Trump Resorts formerly owned by Mr. Trump, has received site approval and a Certificate of Suitability to develop a riverboat gaming project in Gary, Indiana, which is approximately 25 miles southeast of downtown Chicago. The first phase of the Gary Project includes the construction of a riverboat containing approximately 33,000 square feet of gaming space with 1,300 slot machines and 56 table games, the acquisition of land, and initial berthing and support facilities. This phase of the Gary Project is expected to cost $59.0 million and commence operations in the first quarter of 1996. To fund initial development, Trump Resorts expects to obtain $34.0 million from the Offerings and $25.0 million in financing, which has yet to be obtained

Upon commencement of gaming operations, the Gary Project is expected to generate the necessary funds to satisfy all of its operating and capital needs without relying on Trump Resorts or incurring additional indebtedness including $94.0 million in capital expenditures for the remaining phases of development, consisting of the following:

.. $46.0 million for construction of a hotel facility and other amenities expected to open in 1998

.. $27.0 million for a land-based pavilion, restaurant facilities, berthing and support facilities, and expanded parking, which is expected to be completed by mid-1997

.. $21.0 million for infrastructure improvements during the initial 5-year license term

. Redemption of PIK Notes

In conjunction with a recapitalization of its financial obligations in 1993, Trump Plaza Holding Associates ("Plaza Holding") issued $60.0 million principal amount of PIK Notes. Debt service on the PIK Notes could be satisfied either in cash or additional PIK Notes. Since Plaza Holding did not access the necessary funds from Plaza to satisfy PIK Notes interest payments in cash, the principal amount of the PIK Notes grew to its current balance of $86.1 million, which includes the exercise of $12.0 million in PIK Notes warrants on April 25, 1995 and accrued interest. Through the Offerings, the PIK Notes will be redeemed.

. 1-Year Interest Reserve for the Trump Resorts Notes

The interest rate on the $155.0 million principal amount of Trump Resorts Notes due 2005 is 15.5%, which results in annual interest obligations of $24.0 million. Semi-annual interest payments of $12.0 million will be payable in December and June of each year, commencing December 1995. In light of the time necessary to complete the East Tower and West Tower projects, the first two interest payments due in December 1995 and June 1996 will be funded through escrowed proceeds from the Offerings. Effectively, Trump Resorts will not be required to satisfy interest obligations on the Trump Resorts Notes until December 1996.

. Other Uses of Cash

After transaction costs of approximately $22.5 million and a $3.0 million loan to Mr. Trump, reflecting certain expenses of the Gary Project funded by Mr. Trump prior to the Offerings, approximately $2.5 million will be utilized to provide initial working capital for Trump Resorts. Management believes that these remaining funds, in conjunction with the ability of Trump Resorts to obtain administrative expenses from Plaza, should enable Trump Resorts to meet its corporate cash needs, except for interest payments on the Trump Resorts Notes. (In order for Plaza to fund the administrative expenses of Trump Resorts without prior Commission approval, the existing upstreaming condition, if reimposed, must be modified.)

Long-Term Debt and Stockholders' Equity

As a result of the issuance of the Trump Resorts Notes and the Common Stock, Trump Resorts' long-term debt and stockholders' equity will increase, as illustrated on the following page.

TRUMP HOTELS & CASINO RESORTS, INC.
PRO-FORMA LONG-TERM DEBT AND STOCKHOLDERS' EQUITY
AS OF MARCH 31, 1995
($ in Millions)

Table III

	Actual	Impact of Offerings	Pro-Forma
Trump Plaza Debt Obligations:			
Mortgage Notes	$330.0	$ -	$330.0
Equipment Financing	2.2	10.0 (a)	12.2
Other	2.8	-	2.8
PIK Notes	86.4 (b)	(86.4) (c)	-
Senior Notes	-	155.0 (c)	155.0
Gary Project Financing	-	25.0 (a)	25.0
Total	$421.4	103.6	$525.0
Stockholders' Equity	$(63.6)	113.8 (d)	$ 50.2

(a) Assumes Plaza enters into the anticipated slot machine leases and the Gary Project acquired its financing on March 31, 1995
(b) Includes the exercise of $12.0 million in PIK Notes warrants on April 26, 1995
(c) Reflects the redemption of the PIK Notes and the issuance of the Trump Resorts Notes in conjunction with the Offerings
(d) Reflects the issuance of $140.0 million in Common Stock, less $14.0 million in issuance costs and $12.2 million for the exercise of the PIK Notes warrants

As shown in Table III, Trump Resorts' long-term debt would have increased $103.6 million, or 24.6%, to $525.0 million on a pro-forma basis at March 31, 1995 primarily as a result of the issuance of the Trump Resorts Notes and the anticipated Gary Project financing, partially offset by the repayment of the PIK Notes. Meanwhile, the issuance of Common Stock would have converted Trump Resorts' stockholders' deficit of $63.6 million into equity of $50.2 million on a pro-forma basis at March 31, 1995.

Management of Trump Resorts

Subsequent to the Offerings, Mr. Trump will serve as Chairman of the Board of Directors of Trump Resorts pursuant to an executive agreement ("Executive Agreement") with Trump Hotel &

Casino Resorts Holdings, Inc. ("Trump Holdings"). Under the terms of the Executive Agreement, Mr. Trump will provide marketing, advertising, promotional and other services for Trump Resorts. In consideration for his services, Mr. Trump will receive a salary of $1.0 million per year for an initial term of five years. Thereafter, the Executive Agreement shall remain in effect for a rolling three-year term at $1.0 million per year until either Mr. Trump or Trump Resorts provides notice to the other of their desire not to extend the term, in which case the term of the Executive Agreement will end three years from the date of notification.

Notwithstanding Mr. Trump's Executive Agreement with Trump Resorts, Plaza and Trump Plaza Management Corp. ("TPMC"), a wholly-owned subsidiary of Mr. Trump, maintain a services agreement ("Services Agreement") pursuant to which TPMC provides marketing, advertising, promotional and other services to Plaza. In consideration of these services, Plaza pays TPMC $1.0 million per year, along with reasonable out of pocket expenses. However, payments under the Services Agreement are currently pledged to secure lease payments for a helicopter that TPMC makes available to Plaza.

It is currently contemplated that the stock of TPMC will be transferred by Mr. Trump to Trump Holdings, which will assume the helicopter lease, as well as become entitled to amounts payable under the Services Agreement. The term of the Services Agreement is coexistent with Plaza's mortgage notes. Additionally, Mr. Trump will retain the right to control the management and services of Plaza for as long as Mr. Trump beneficially owns 20.0% or more of the voting power of Trump Resorts and no other holder beneficially owns a greater percentage of such voting power.

FORECASTS AND ANALYSIS

Plaza Forecasts

. Introduction

Plaza's forecasts for the three years ending December 31, 1997 contain certain anticipated expense savings by operating Plaza and the West Tower as an integrated facility, as well as benefits derived from maintaining a "Plaza" theme throughout the entire facility. However, since Plaza and the West Tower (pending Commission approval) will maintain two separate casino licenses, each may be required to maintain separate financial and accounting records, as well as maintain their operational independence from each other. It is anticipated that Plaza and/or the West Tower will petition the Commission to combine as many of the operations and financial records as possible. Based on the outcome of that petition, if filed, certain cost savings anticipated by management as a result of operating Plaza and the West Tower as an integrated facility may not be achieved.

. Forecasted Operating Results

Management's forecasts assume the following opening dates for the East Tower and West Tower projects, as well as the expansion to its existing facility:

.. October 1995 - 150 rooms in the East Tower, with an additional 50 per month completed through the first quarter of 1996 (349 in total).

.. February 1996 - 5,000 square feet of gaming space in Plaza's existing facility containing 17 table games and 75 slot machines

.. February 1996 - 15,000 square feet of gaming space in the East Tower containing 13 tables games and 349 slot machines.

.. March 1996 - 500 rooms in the West Tower with a 40,000 square-foot casino floor containing 30 table games and 1,500 slot machines.

It is clear based on the gross operating profit ("GOP") levels contained in the table below that management expects the East Tower and West Tower projects to be extremely successful.

TRUMP PLAZA ASSOCIATES (a)
GOP AND GOP MARGIN
FOR THE FOUR YEARS ENDING DECEMBER 31, 1997 Table IV
($ in Millions)

	Actual	Forecast		
	1994	1995	1996	1997
Net Revenue	$29[illegible].9	[redacted]		
Costs and Expenses	23[illegible].2			
GOP (b)	$6[illegible].7	[redacted]		
GOP Margin (c)	21.7%	[redacted]		

(a) Includes the East Tower and West Tower
(b) GOP reflects income before depreciation, amortization, interest, charges from affiliates, and taxes.
(c) Reflects GOP as a percentage of net revenue, which is a measure of efficiency.

Reflecting the anticipated benefits of the East Tower and West Tower projects, Plaza forecasts average annual net revenue growth of [redacted] through 1997, from [redacted] for 1994 to [redacted] for 1997. Of course, Plaza's most dramatic net revenue improvement of [redacted] is anticipated for 1996, which reflects, among other things, the anticipated completion of the West Tower and East Tower projects by March 31, 1996.

In addition to the forecasted net revenue improvements, Plaza anticipates improving its cost relationship to net revenue, due in part to the addition of 1,000 slot machines, which are less labor intensive than table games. Accordingly, Plaza forecasts improvements in its GOP Margin, from 21.7% for 1994 to [redacted] for 1997. The forecasted net revenue growth, in conjunction with anticipated improvements in Plaza's GOP Margin, translates into forecasted GOP increases of [redacted], and [redacted] for 1995, 1996, and 1997, respectively. As a result, Plaza expects its GOP to grow an average of [redacted] per year, from $63.7 million for 1994 to [redacted] for 1997.

- Forecasted Cash Flows

Through March 31, 1996, Plaza will be relying on Trump Resorts to satisfy its substantial capital requirements related to the East Tower and West Tower projects. Subsequently, however, Plaza expects to be a major cash generator for Trump Resorts. Under the terms of its mortgage notes indenture, Plaza cannot upstream funds ("Restricted Payments") to a parent company or affiliate, unless it meets a fixed charge coverage ratio ("Coverage Ratio") of 1.75 to 1. In simple terms, the Coverage Ratio is calculated as Plaza's adjusted GOP, divided by its fixed charges, which for Plaza consists of interest obligations and lease obligations. Upon the redemption of the PIK Notes in conjunction with the Offerings, Plaza would have achieved a

Coverage Ratio of 1.67 to 1 on a pro-forma basis for the twelve months ended March 31, 1995. Although Plaza forecasts exceeding the 1.75 to 1 Coverage Ratio commencing in September 1995, Plaza does not forecast funding Restricted Payments to Trump Resorts [redacted]

To demonstrate Plaza's reliance on Trump Resorts through [redacted] and the subsequent upstreaming of Restricted Payments, the following table details Plaza's forecasted cash flows for the three years ending December 31, 1997, which we have divided at March 31, 1996 for presentation purposes.

TRUMP PLAZA ASSOCIATES (a)
FORECASTED SOURCES AND USES OF CASH
FOR THE THREE YEARS ENDING DECEMBER 31, 1997
($ in Millions)

Table V

	For the Five Quarters Ending 3/31/96	For the Seven Quarters Ending 12/31/97	For the Three Years Ending 12/31/97
Sources of Cash:			
Operating Cash Flows	[redacted]		
CRDA Funding			
Total	[redacted]		
Uses of Cash:			
Capital Expenditures	[redacted]		
CRDA Obligations			
Other			
Total	[redacted]		
Cash Flow Surplus (Deficit)	[redacted]		
Capital Contributions			
Restricted Payments			
Increase in Cash	[redacted]		
Beginning Cash Balance	[redacted]		
Ending Cash Balance	[redacted]		

(a) Includes the East Tower and West Tower

As illustrated in the preceding table, [redacted] in operating cash flows and other sources of cash, in conjunction with $102.4 million in capital contributions from Trump Resorts, is expected to be sufficient to fund forecasted capital expenditures of $146.5 million for the five quarters ending March 31, 1996 (primarily reflecting the East Tower and West Tower projects), as well as Plaza's other cash needs. As a result, Plaza forecasts a [redacted] increase in its cash balance through March 31, 1995, to [redacted].

For the seven quarters ending December 31, 1997, Plaza expects its operating cash flows and other sources of cash to satisfy its cash requirements and generate a $[redacted] cash flow surplus. During this period, Plaza forecasts advancing a total of [redacted] in Restricted Payments to Trump Resorts, of which, [redacted] is expected to be returned to Plaza to help satisfy its own $18.0 million semi-annual bond interest payments due in June and December of each year. Consequently, Plaza forecasts [redacted] in net Restricted Payments through 1997, which would result in no change in Plaza's forecasted cash balance of [redacted] from March 31, 1996 to December 31, 1997.

One notable component of the East Tower expansion that is not contained in Plaza's forecasts is the purchase of the East Tower site. In addition to controlling the East Tower site through lease agreements, Plaza maintains an option to purchase the East Tower for $27.0 million through June 30, 1995, increasing by $1.0 million annually until expiration on June 30,

1998. While Plaza currently does not maintain the resources to fund the East Tower purchase and will not obtain the funds through the Offerings, it has the ability to acquire $25.0 million in debt to fund the purchase of the East Tower site.[2] Under current casino license conditions, Plaza is required to exercise the purchase option and acquire the East Tower by July 1, 1996. Additionally, Trump representatives indicated that certain bank agreements pertaining to Mr. Trump executed on June 12, 1995 are conditioned upon the purchase of the East Tower site by June 30, 1996.

Gary Project Forecasts

In conjunction with the Offerings, Trump management prepared forecasted financial statements for the Gary Project, which were prepared on an annual basis for the first five years of operations, assuming an opening date of March 31, 1996. Naturally, there are significant inherent uncertainties with regard to the Gary Project, since there is no operating history related to the Gary market. Additionally, while certain agreements have been entered into, neither construction of the vessel nor site development has yet to commence. Thus, any delays in construction or the ability to obtain financing could negatively impact the planned opening of the Gary Project in the first quarter of 1996.

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2 Plaza's lease payments for the East Tower total approximately $3.1 million per year. If a $25.0 million loan was acquired to purchase the East Tower at an interest rate of 12.5%, the interest obligations would be equivalent to the current lease payments

Despite the foregoing uncertainties, it is clear that Trump management expects the Gary Project to be successful, as demonstrated in the table below.

TRUMP INDIANA, INC.
GOP AND GOP MARGIN
FOR THE FIVE FISCAL YEARS ENDING MARCH 31, 2001
($ in Millions)

Table VI

	1997	1998	1999	2000	2001
Net Revenue	[redacted]				
Costs and Expenses					
GOP	[redacted]				
GOP Margin	[redacted]				

As shown above, Trump management expects the Gary Project to generate [redacted] in GOP for the first twelve months of operations, which is forecasted to grow to [redacted] for the fifth year of operations. Based on its forecasts, Trump management believes that the Gary Project's GOP will consistently outperform [redacted]

The Gary Project is expected to generate the necessary funds to address all of its operating and capital needs after the initial $34.0 million capital contribution from the Offerings and the $25.0 million in anticipated financing. In this regard, the Gary Project expects to generate [redacted] in operating cash flows through March 1998. These sources of cash totaling [redacted] are expected to be sufficient to fund $113.0 million in capital expenditures and $5.7 million in pre-opening costs, as well as result in a cash balance of [redacted] at March 31, 1998. There are no anticipated distributions to Trump Resorts from the Gary Project through March 1998, and based on its forecasted cash balance, it appears that the Gary Project will not be a source of cash until at least mid-1998, if at all.

Trump Resorts Forecasted Sources and Uses of Cash

Subsequent to the Offerings, Trump Resorts' primary cash need will be annual interest obligations of approximately $24.0 million on the Trump Resorts Notes. Since the first two semi-annual interest payments will be escrowed in conjunction with the Offerings, Trump Resorts will not experience material cash needs until December 1996. With respect to the funding of interest on the Trump Resorts Notes in 1996 and 1997, Trump Resorts will rely on Plaza as its sole source of funds through 1997, as illustrated in the following table.

TRUMP HOTELS & CASINO RESORTS, INC.
CORPORATE FORECASTED SOURCES AND USES OF CASH (a)
FOR THE THREE YEARS ENDING DECEMBER 31, 1997
($ in Millions)

Table VII

	1995	1996	1997
Sources of Cash:			
Net Offerings Proceeds (see Table I)	$ 2.5	$ -	$ -
Remaining Plaza Dedicated Funds	-	20.3	-
Net Restricted Payments from Plaza	-	[redacted]	[redacted]
Total Sources of Cash	2.5	[redacted]	[redacted]
Trump Resorts Notes Interest Payments	-	(12.0)	(24.0)
Increase in Cash	2.5	[redacted]	[redacted]
Beginning Cash Balance	0.0	2.5	[redacted]
Ending Cash Balance	$ 2.5	[redacted]	[redacted]

(a) Net of funds placed in escrow and subsequent uses for the East Tower and West Tower ($122.7 million), the Gary Project ($34.0 million), and the interest reserve ($24.0 million). Also, does not include administrative expenses of Trump Resorts.

In conjunction with the Offerings, Trump Resorts expects to retain approximately $2.5 million in cash. By the time the $12.0 million December 1996 interest payment is due, Trump Resorts expects to have received [redacted] in net Restricted Payments from Plaza, as well as [redacted] in funds remaining from the Plaza expansion dedicated account. Accordingly, at December 31, 1996, Trump Resorts expects to maintain a corporate cash balance of [redacted]. Similarly, net Restricted Payments from Plaza forecasted for 1997 are expected to dramatically exceed the Trump Resorts Notes interest payments, thereby increasing Trump Resorts' corporate cash balance to [redacted] at December 31, 1997.

Analysis

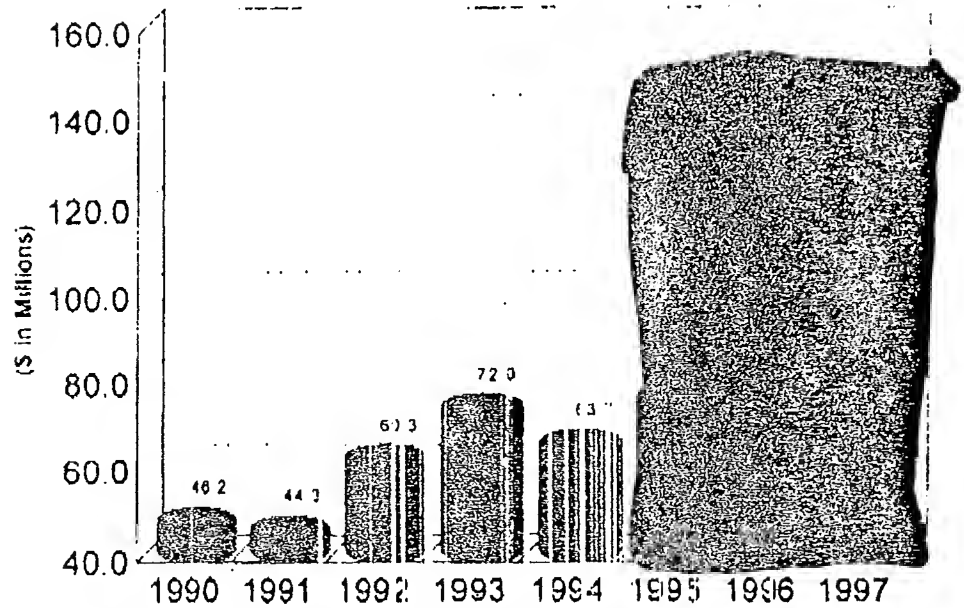
Based on Plaza's, the Gary Project's, and Trump Resorts' forecasts, it is clear that the financial stability of Trump Resorts is contingent upon obtaining funds from Plaza to satisfy Trump Resorts Notes interest payments in late-1996 and 1997. As previously discussed, there are no anticipated distributions to Trump Resorts from the Gary Project, and based on its forecasted cash balance of [redacted] at March 31, 1998, it appears that the Gary Project will not be a source of cash until at least mid-1998, if at all. Meanwhile, Trump Resorts expects to obtain [redacted] in net Restricted Payments from Plaza, which is expected to be the primary contributor to Trump Resorts' forecasted cash balance of [redacted] at December 31, 1997.

Based on the foregoing, our analysis focuses on Plaza's ability to satisfy its own cash needs, as well as the cash needs of Trump Resorts through 1997. It is important to note that our analysis does not factor in any contingency if the Gary Project requires additional funds from Trump Resorts. If the Commission imposes the modified upstreaming license condition on Plaza (outlined in the Summary and Opinion) through the upcoming license renewal period, which we recommend, any proposed upstreaming payments for the benefit of Gary would require prior Commission approval.

For 1995, Plaza forecasts a [redacted] in GOP. While this growth rate appears significant, there were factors that depressed Plaza's results for 1994, including the inclement weather experienced in the first quarter of 1994 and unanticipated management turnover in the second quarter of 1994. In fact, for the first four months of 1995, Plaza generated a 66.9% increase in GOP over the comparable prior period. Therefore, Plaza would only need to generate a 3.1% increase in GOP for the last eight months of 1995 in order to meet its GOP forecast for all of 1995.

As illustrated in the chart on the following page, the anticipated average annual GOP growth rate of nearly [redacted] for 1996 and 1997 exemplifies management's optimism that the East Tower and West Tower projects will be successful.

TRUMP PLAZA ASSOCIATES
GROSS OPERATING PROFIT
FOR THE EIGHT YEARS ENDING DECEMBER 31, 1997 — Chart I



		1990	1991	1992	1993	1994	1995	1996	1997
WEST TOWER	▨	—	—	—	—	—	[redacted]		
PLAZA & EAST TOWER	■	46.2	44.3	60.3	72.0	63.7			

While we believe that Plaza's GOP will benefit from the East Tower and West Tower projects, the magnitude of the improvement is uncertain in our opinion, due in part to the following factors:

- Although Plaza's forecasts are predicated on Plaza and the West Tower being an "integrated facility" in most operational aspects, Plaza and the West Tower (pending Commission approval) will maintain two separate licenses. If the magnitude of the proposed operational integration proposed by management does not occur, certain benefits contained in Plaza's forecasts may not be achieved.

- Management assumes that the addition of 60,000 square feet of gaming space (82.2% increase) and approximately 850 hotel rooms (153.2%) in the East Tower and West Tower by March 1996 will result in Plaza's GOP of $72.0 million for the most-recent twelve-month period ended March 31, 1995 growing to [redacted] for 1997, or nearly [redacted]. While the increase in gaming space and rooms would effectively represent the addition of a new casino-hotel, it is unlikely that the growth in GOP would exceed the increase in gaming space.

Fortunately, it is clear based on Trump Resorts' forecasts that Plaza does not need to achieve its forecasted operating results to satisfy its cash needs and the debt service requirements on the Trump Resorts Notes. As previously discussed, Trump Resorts expects to maintain an [redacted] corporate cash balance at December 31, 1997. Thus, there is significant flexibility for Plaza to experience shortfalls in its forecasted operating results without negatively impacting Trump Resorts' ability to fund its obligations.

In terms of financial flexibility, Plaza will be dependent on Trump Resorts through March 31, 1996 to complete the East Tower and West Tower projects, and subsequently become a cash source for Trump Resorts by funding Restricted Payments [redacted]7. Therefore, there are two distinct time frames to consider when assessing Plaza's ability to absorb shortfalls from its forecasted operating results.

To evaluate the period through March 1996, we applied a no-growth in GOP analysis ("No-Growth GOP") to ensure that Plaza has the ability to complete the East Tower and West Tower projects without needing in excess of $122.7 million from Trump Resorts. To evaluate the remainder of the forecast period, we formulated a break-even GOP analysis ("Break-Even GOP"), which determines the level of GOP necessary for Plaza to fund its cash needs, as well as achieve the 1.75 to 1 Coverage Ratio and fund the $12.0 million semi-annual Trump Resorts Notes interest payments in December 1996, June 1997, and December 1997. Our analysis was based on the assumptions contained in Plaza's forecasts, except that any remaining Plaza expansion funds stemming from our No-Growth GOP analysis at March 31, 1996 are assumed to be utilized to fund unforeseen cash needs of Trump Resorts.

For the most recent twelve-month period ended March 31, 1995, Plaza generated GOP of $72.0 million. If we assume that this level of GOP remains constant through March 1996, Plaza would need [redacted] in capital contributions from Trump Resorts to complete the East Tower and West Tower projects. Although this level of capital contributions would be [redacted] higher than forecasted, Plaza would still be able to satisfy the anticipated construction costs without exceeding the $122.7 million in dedicated funds. We believe that a No-Growth GOP analysis would be conservative based on Plaza's recent growth in GOP, which was approximately 52.0% for the six-months ended April 30, 1995.[3] Additionally, Plaza should benefit from the anticipated addition of 349 rooms in the East Tower opening between October 1995 and March 1996, as well as any gaming space expansions that open through March 1996.

Assuming that the East Tower and West Tower are completed as forecasted by March 31, 1996, Plaza will shift to being a cash generator for Trump Resorts. In order to meet the 1.75 to 1 Coverage Ratio and upstream funds to Trump Resorts to satisfy

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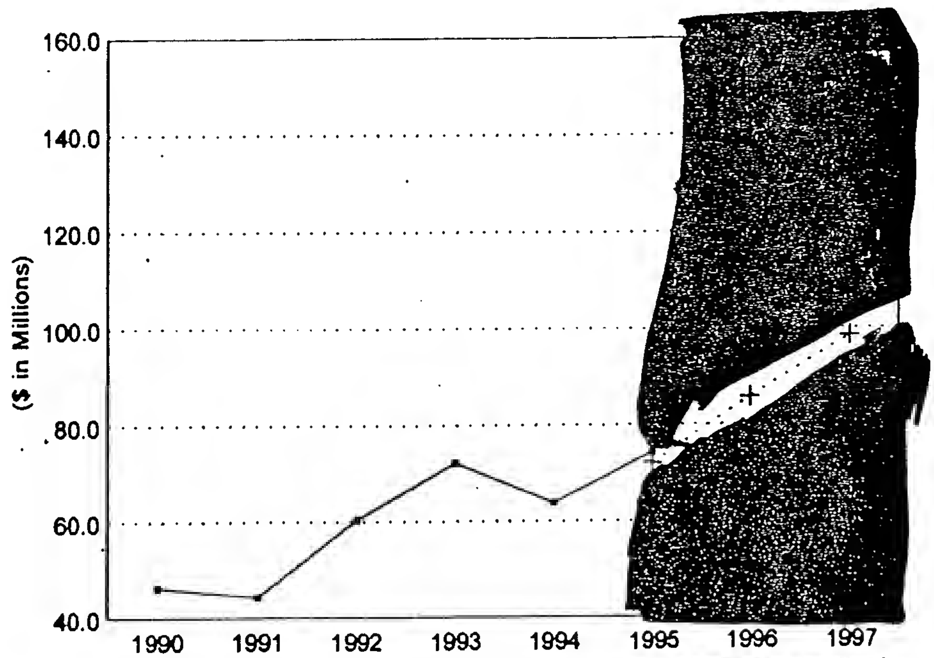
3 Even if we eliminate the impact of the inclement weather experienced in January and February 1994, Plaza still experienced a 29.0% increase in GOP for the remaining four months (November and December 1994 and March and April 1995).

interest obligations on the Trump Resorts Notes, our Break-Even GOP analysis indicates that Plaza must generate GOP of approximately \$86.0 million for 1996 and approximately \$98.0 million for 1997, which translates into average annual growth of 17.0% from the No-Growth GOP level for 1995. The chart below compares Plaza's historical and forecasted GOP to the No-Growth GOP for 1995 and the Break-Even GOP for 1996 and 1997.

TRUMP PLAZA ASSOCIATES
GROSS OPERATING PROFIT ANALYSIS
FOR THE EIGHT YEARS ENDING DECEMBER 31, 1997

Chart II



	1990	1991	1992	1993	1994	1995	1996	1997
ACTUAL/FORECAST	46.2	44.3	60.3	72.0	63.7	[redacted]		
NO-GROWTH/BREAK-EVEN	-	-	-	-	-	[redacted]	85.7	98.4

If Plaza generates No-Growth GOP of \$72.0 million for 1995 and Break-Even GOP of approximately \$86.0 million and \$98.0 million for 1996 and 1997, respectively, Plaza would be able to complete the East Tower and West Tower projects, as well as satisfy Trump Resorts Notes interest payments through 1997. Since the 1996 and 1997 levels of GOP reflect average annual growth of 17.0%, the East Tower and West Tower projects will be required to improve Plaza's operating results to ensure the continued financial stability of Trump Resorts through 1997. Due to Trump Resorts only obtaining those funds necessary to satisfy the Trump Resorts Notes interest payments, its cash balance would remain at approximately [redacted] through 1997, compared to a forecasted cash balance of [redacted] at December 31, 1997.

Since the GOP levels for 1996 and 1997 are approximately 30.0% below that forecasted, Plaza appears to have flexibility to absorb shortfalls from forecast through 1997 and remain in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 through 1997. However, we recommend the continuation of certain reporting conditions currently imposed on Plaza in order to monitor Plaza's ability to generate the necessary GOP improvements.

SUMMARY AND OPINION

Trump Resorts was created to provide funds to expand Plaza's operations in Atlantic City, as well as to pursue gaming opportunities in emerging jurisdictions. Through the transactions consummated on June 12, 1995, Trump Resorts obtained $140.0 million in proceeds from the Common Stock offering and $155.0 million in proceeds from the Trump Resorts Notes. The total proceeds of $295.0 million will be utilized to, among other things, fund the East Tower and West Tower projects in Atlantic City, enter the riverboat gaming industry in Gary, Indiana, and redeem the PIK Notes.

Subsequent to the Offerings, Trump Resorts' primary cash need will be annual interest obligations of $24.0 million on the Trump Resorts Notes. Since the first two semi-annual interest payments will be escrowed, Trump Resorts will not experience material cash needs until December 1996. With respect to the funding of interest on the Trump Resorts Notes, Plaza is expected to be Trump Resorts' sole source of funds. As previously discussed, there are no anticipated distributions from the Gary Project through March 1998, and based on its forecasted cash balance of [redacted] at March 31, 1998, it appears that the Gary Project will not be a source of cash until at least mid-1998, if at all.

With respect to Plaza's forecasts, while we believe that Plaza will benefit from the East Tower and West Tower projects, the magnitude of the improvement is uncertain in our opinion, especially with regard to the forecasted GOP increase of [redacted] for 1996. Fortunately, it is clear that Plaza does not need to achieve its forecasted operating results to satisfy its cash needs and the debt service requirements on the Trump Resorts Notes through 1997. Plaza forecasts upstreaming [redacted] in net Restricted Payments to Trump Resorts through 1997, and as a result, Trump Resorts expects to maintain a [redacted] corporate cash balance at December 31, 1997. Thus, there is significant flexibility for Plaza to experience shortfalls in its forecasted operating results without negatively impacting Trump Resorts' ability to fund its obligations.

Based on our analysis, if Plaza generates No-Growth GOP of [redacted] for 1995 and Break-Even GOP of approximately [redacted]

[redacted] and [redacted] for 1996 and 1997, respectively, Plaza would be able to fund the East Tower and West Tower projects, as well as fund the necessary Restricted Payments to Trump Resorts. Since the 1996 and 1997 levels of GOP reflect average annual growth of [redacted] the East Tower and West Tower projects will be required to improve Plaza's operating results to ensure the continued financial stability of Trump Resorts through 1997. However, the GOP levels for 1996 and 1997 are approximately [redacted] below that forecasted, and thus, Plaza appears to have flexibility to absorb shortfalls from forecast through 1997 and remain in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 through 1997. In light of the necessary GOP improvements, we recommend the continuation of certain reporting conditions currently imposed on Plaza in order to monitor Plaza's ability to generate the necessary GOP improvements.

The preceding analysis was predicated on Trump Resorts obtaining only those funds from Plaza necessary to fund its cash needs. Of course, Plaza's forecasts indicate that all cash in excess of $13.0 million will be upstreamed to Trump Resorts. While this cash management philosophy would allow Trump Resorts to fund Trump Resorts Notes interest obligations and provide resources for Trump Resorts to expand its operations, Plaza will become reliant on Trump Resorts to satisfy its major cash needs, including funds for its own semi-annual $18.0 million bond interest payments.

Currently, a license condition exists whereby Commission approval is necessary for upstreaming payments by Plaza, which would incorporate a majority of the anticipated Restricted Payments. We recommend that the upstreaming condition be reimposed. However, since our analysis indicates that Plaza should be able to satisfy Trump Resorts Notes interest payments in late-1996 and 1997, as well as reasonable administrative costs of Trump Resorts, we recommend that Plaza have the ability to fund these obligations without obtaining prior Commission approval.

In addition to the imposition of the modified upstreaming condition and certain reporting conditions for Plaza, we recommend the imposition of (1) reporting conditions regarding the operating results and cash flows of the Gary Project and the corporate cash flows of Trump Resorts, as well as (2) reporting conditions regarding the status of construction activities for the East Tower project, the West Tower project, and the Gary Project. In this regard, we will work with the Division and the Commission's General Counsel's Office to ensure that the recommended conditions are incorporated into the draft resolution in advance of the hearings scheduled to commence on June 22, 1995.

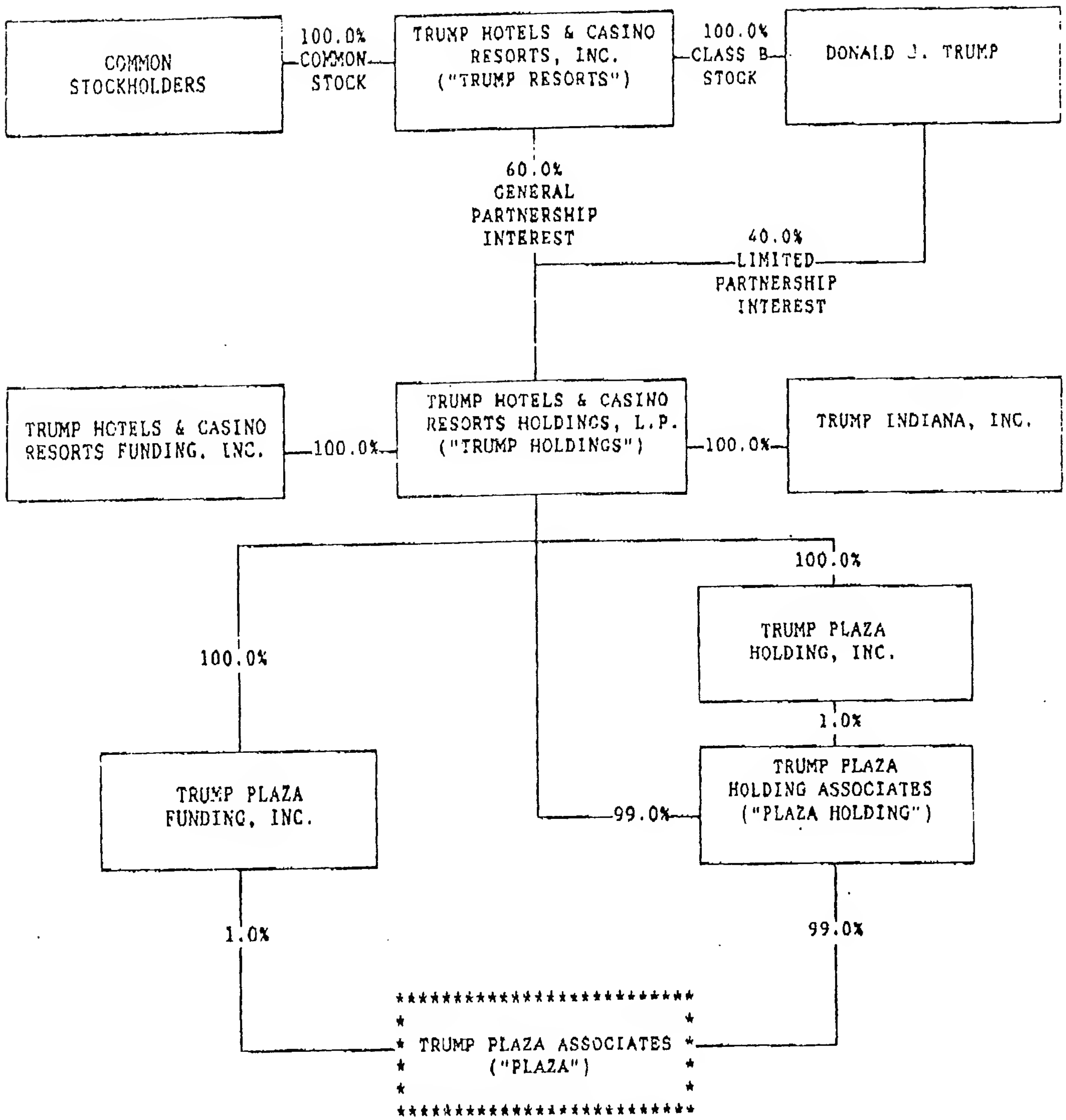
Based on our analysis and subject to the preceding conditions, in our opinion, Plaza and Trump Resorts meet the financial stability and responsibility requirements of Section 84(a) of the Act necessary for the renewal of Plaza's plenary casino license through 1997. We have not obtained forecasts from Plaza subsequent to 1997, since, in our opinion, forecasts beyond a two-year period tend to be unreliable. Therefore, we recommend that Plaza's casino license be renewed for a four-year period, subject to a financial stability review prior to 1998.

Sincerely,

Noreen N. Iannuzzi - Director
Division of Financial Evaluation

APPENDIX I

TRUMP PLAZA ASSOCIATES OWNERSHIP STRUCTURE



* Casino Licensee